The MORTGAGE BANKER

VOL. 5 — No. 10 JULY, 1944

Announcing MBA's

CONFERENCE ON WAR AND POSTWAR MORTGAGE PROBLEMS

AND 31st ANNUAL BUSINESS MEETING

Edgewater Beach Hotel • Chicago • October 18, 19 and 20

If you plan to attend you should make your plans now

WE REQUEST THAT EVERY MBA MEMBER READ THIS PAGE CAREFULLY

THIS year may be one of the most crucial in American history. The attack on Fortress Europe has begun; and those who are bearing the brunt of this war are winning it—for us. Our job at home is to buy bonds, donate our blood to the Red Cross and do everything we can to help the men at the front. No American worthy of the name will do less.

One of our duties certainly is to see to it that the country to which our boys return is the kind of country they expect to come back to—one where, above all else, they will have an opportunity to earn a good living. That is the home front's big problem today—planning now for the day when our fighting men return.

The men who finance building in this country have a big stake in that obligation; and it is in that belief and spirit that MBA is sponsoring this Conference on Wartime Mortgage Problems. We sincerely believe that in this vital hour we, as mortgage lenders, can lay plans which will make the postwar period a better and happier one for the men who are actually winning this war. If that were not our honest belief, we would not be meeting this year.

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Here are several facts about the Conference that are of *immediate importance.* If you plan to attend, please consider them carefully.

First, it will be almost mandatory that all rooms be completely occupied so that accommodations can be secured for everyone. If you plan to attend, arrange at once with someone you know to share a room. *We must double up as never before.* We think every member will agree that it is only fair to ask that double rooms be occupied by *two* people rather than one.

So arrange at once to share a room with someone you know. If you are a new member and do not know anyone who will be coming, advise us and we will make arrangements for you.

Second, after you have made these arrangements, *send your reservation card to the Edgewater Beach Hotel at once.* This card has just reached you—or should have. If it did not, notify the Hotel. Your reservation must be made on this card.

Only MBA members are receiving these cards. The Hotel will make *no reservations* for non-members until MBA members have made their reservations—but obviously this arrangement cannot continue indefinitely. So you as an MBA member are invited to accept this priority on rooms but *you must act now* even though the meeting is more than 3½ months away.

The Association is urgently requesting that no requests be made for hotel suites which will be used only for receptions and conferences. This would make less sleeping space available for out-of-town members. Adequate public rooms are available for any size meeting and the Hotel will gladly make arrangements for you.

THE NEWS IN MBA

Eric A. Johnston, Head of U. S. Chamber, Will Speak at MBA's 1944 Conference

IT is still more than 3½ months to MBA's Conference on War and Postwar Mortgage Problems in Chicago, October 18, 19 and 20, but not too early, we believe, to begin to whet your appetite for attending. We couldn't ask for a better way for doing so than to be able to announce that one of the principal speakers will be Eric A. Johnston, president of the Chamber of Commerce of the United States. Mr. Johnston has accepted the invitation extended to him by our past president, Frederick P. Champ, a director of the Chamber. Mr. Johnston will speak at the annual banquet October 20 closing the Conference. Mr. Champ will preside as toastmaster.

Mr. Johnston's sensational accomplishments for American business in recent years are so well known that it hardly seems necessary to say more than that he will be with us. He is the most prominent and active spokesman in wartime Washington for the American business man. As this is being written, he is still on his Russian trip.

As president of the Chamber, he heads a nation-wide organization of 1,400 chambers of commerce and 400 trade associations, with an underlying membership of nearly a million business men.

He is a member of the Committee for Economic Stabilization, the Management-Labor Policy Committee and the Business Advisory Council of the Department of Commerce. He is also one of the key figures on the Committee for Economic Development.

As chairman of the United States Commission for Inter-American Development, he has extended his influence as a spokesman for American business beyond the borders of the United States.

Early in 1943, at the request of the State Department and the Office of the Coordinator of Inter-American Affairs, Mr. Johnston visited South America on a five-week, 20,000-mile air-swing around the continent.

Later in the year, Mr. Johnston visited England for conferences with British government officials, industrialists and labor leaders on British-American mutual interests and cooperation.

Pointing out that war production gains have been achieved as a result of management-labor cooperation, President Roosevelt has paid tribute to Mr. Johnston for promoting teamwork in American industry.

"Members of the United States Chamber of Commerce may well be proud of the contribution they have made under your able leadership," the Chief Executive said in a message to him. "I have had opportunity to know of and cause to appreciate that leadership."

Mr. Johnston has long been active in Chamber affairs. His connection with the organization began twelve years ago when he was named a member of its Committee on Taxation. The following year he was elected a director, and became a vice-president in 1941. He was elected president in 1942, and was re-elected in 1943.

Born in Washington, D. C., Mr. Johnston was taken West at an early age. He was educated in the schools of Spokane and the University of Washington, where he received a law degree. On May 25, 1942, he was given an LL.D. degree by Whitworth College at Spokane.

ERIC A. JOHNSTON

Mr. Johnston served with the Marine Corps in the World War and retired from the service in 1923 with the rank of captain. He entered the service as one of two students selected by the president of the University of Washington for their excellence. After the war he saw service in the Orient.

Mr. Johnston believes that the basic problem in maintaining the American system of "creative capitalism"—as he terms it—will be one of providing employment in private enterprise for the great mass of workers.

"You can't eat freedom," he has said. "If private enterprise can't give employment to the people, then the masses will turn to the state. And the state would dominate the citizen in his expressions of economic and individual liberty. We then would win the war, only to lose the peace for which we fight." (*See Life Magazine's interesting picture story on Mr. Johnston in the June 19th issue.*)

LAND PRICES STILL GOING UP, SAYS MBA FARM GROUP

While the nation's total farm mortgage debt continues to decline—although at a slower rate—it is possible that by the middle of next year the trend will be halted and the debt begin to rise, S. M. Waters, Minneapolis, chairman of the MBA farm loan committee, told board members at the June meeting.

New mortgages filed are increasing in number, average size and dollar volume, and the gain is especially noticeable in loans made by individuals and commercial banks. Land prices continue to increase and in some sections the rate of gain is high but in the better farm loan areas the rate is not great, he said. He repeated his previous opinion that there seems little chance the Gillette bill will pass.

FHA Committee Says Pressing Problem Is Reimbursement for Prepayments

The pressing need for regulations which would permit FHA mortgagees to be reimbursed up to 2 per cent on the prepayment of a loan to partially make up for the acquisition cost is one of the principal problems in the insured lending field at this time, George B. Underwood, Irvington, N. J., chairman of the FHA committee, told board members at the June meeting. He said that his group was doing everything possible to effect some solution and added that he had hopes something could be done.

Mr. Underwood also outlined the procedure followed earlier this year in the Committee's work on the RFC Mortgage Company's commitment matter (*See Letters to Members 209, 210 and 211*).

Turning to the new FHA campaign to develop more business so it can retain a working organization ready to function when building is resumed (*See complete report June 15th Local Chapter News*), Underwood said he realized that the charge might be made that the agency is "trying to develop business in order to keep jobs for its personnel . . . since it is not creating but rather diverting loans—still, for postwar purposes, your Committee feels that every effort should be made to keep FHA intact because the integrity and quality of the Administration's personnel must be on a high level to retain the respect of the secondary market for such loans. It was the opinion of the Committee that we should aid the Administration in its program."

Mr. Underwood also reported that E. S. Draper, deputy FHA commissioner, had advised him that the processing of mortgage applications was being cut to five or six days. The latter reiterated that FHA would not recognize any increase in valuations.

Underwood said that some builders apparently want to see much lower interest rates and longer terms for loans. He said he feared that they will demand forty to forty-five year mortgages and may even carry their program to Washington for action. He said he had warned them that any such drastic action may dry up the normal sources of mortgage money.

No Bills Now Pending to Make NHA a Permanent Agency, King Tells Board

In his report to the board at the June meeting, W. L. King, Washington, D. C., chairman of the federal legislative committee, explained that the legislation now before congress which seeks to eliminate commissioners and appraisers in condemnation proceedings for property acquired for war purposes, should not be confused with H. R. 2617 and S. 975, the so-called "dive bombing bills." (*See The Mortgage Banker for October, 1943.*) The present bill (S. 919) would abolish commissioners and appraisers in these proceedings and substitute condemnation juries to determine the awards. One government witness at the hearings stated that fees paid commissioners had often amounted to more than the value of the land condemned. These commissioners received from $3 to as high as $100 per day. The bill has passed the Senate and before this is published, will probably have passed the House.

The legislation, King explained, has nothing to do with the objectionable bills H. R. 2617 and S. 975 which the title companies and MBA opposed earlier this year. These bills originated in the Department of Justice and Norman Littell of the Department has been the principal spokesman advocating their passage. Mr. King told the board that "the bills are still dormant and I do not believe the Department is going to be able to move them."

Members will recall that these are the bills which inspired the article by Drew Pearson in his nationally-syndicated column January 19.

Pearson said that ABA, the American Title Association, the U. S. Savings and Loan League and ourselves had been responsible for holding up these bills and added that failure to act had "held up millions of dollars supposed to be paid to people thrown out of their homes when the government took over land for Army and Navy camps."

Mr. King also reported that with Senator Maloney's withdrawal of his bill, S. 1607, there is now no legislation pending to make NHA permanent. He also pointed out that Senate bills 1532 and 1584 imposing a tax up to 90 per cent of the gain from sales of agricultural real estate are still in committee and that it seemed unlikely that they could be passed at this session. He explained that Senate Bill 757, introduced by Senator Wagner in 1943, provides for the elimination of restrictions on Federal Savings and Loan Association investments to a radius of fifty miles of their home offices. This bill will likely be passed by both Houses, he said. "It is our opinion that this legislation only places new federals on a parity with state associations and converted federal savings and loan associations and therefore should be enacted," he said.

POSTWAR GROUP TO DEFER FULL REPORT UNTIL FALL

Although the subject of postwar planning as it affects mortgage lending was discussed at considerable length at the June meetings of the MBA board and executive committee in Chicago, the postwar planning committee headed by Byron T. Shutz, Kansas City, recommended that no specific action be taken at this time and advised that a complete report will be submitted at the next meeting in October. Mr. Shutz presided at a meeting of his committee June 1st when a wide range of subjects of a postwar nature were explored in detail. Many of these had emanated from members and some as a result of the questionnaire which the national office distributed late last year. As each one was reviewed, it became apparent that a good many were linked with possibilities which committee members could not anticipate at this time. In view of these uncertainties, the committee decided to defer its complete report until later this year. Mr. Shutz will welcome suggestions.

Committee on HOLC Recommends That No Action Be Taken Now on Liquidation

MBA's special HOLC Liquidating Committee recommended to the board of governors at the June meeting that no action regarding the liquidation of this agency be taken at this time and the proposal was accepted. Charles A. Mullenix, Cleveland, committee chairman, pointed out that since this is an election year and there seems little possibility of securing any congressional action at this time, good judgment would seem to dictate no immediate action as far as MBA is concerned.

HOLC's report to Congress covering its operations to the end of 1943, which was provided for in its appropriation for the current fiscal year, is expected to be filed soon and may be released before this issue is published. It is anticipated it will show that a total liquidation of the Corporation's investments to Jan. 1, 1944, amounting to nearly 60 per cent, represented by the collection of principal payments on the loans plus the cash payments on properties sold. These receipts, it is believed, will amount to over $1,750,000,000, as compared with total investments since the beginning of its operations of $3,486,000,000.

About 300,000 of the Corporation's mortgages out of a total of over a million have now been paid off in full and nearly 100,000 HOLC borrowers are now paying more than is due.

Of approximately 197,000 properties which the Corporation was compelled to foreclose, over 183,000, or more than 93 per cent, had been sold at the end of last year. On June 30, 1943, the Corporation owned about 23,000 properties. This number was reduced in the following six months by over one-half, and the Corporation held as of December 31 last about 12,500 properties.

H. Loy Anderson is Named MBA Associate General Counsel at Meeting of Board

As a result of action taken by the board of governors at the June meeting, two changes in the official Association staff were made and have become effective. H. Loy Anderson of the Washington law firm of Duckett, Gill and Anderson has been named associate general counsel for MBA. He will assist Miller B. Pennell, Cleveland, general counsel. Mr. Anderson will make his headquarters in Washington. He was formerly connected with FHA. His principal duties in the capital will be to collect data and information affecting national legislation and regulations of government agencies which in turn will be sent to members through the various Association publications.

The second change made was the appointment of Albert Frank-Guenther Law, Inc., as public relations representatives for MBA. The work will be in charge of G. H. Knott. The firm is one of the oldest advertising agencies in the country, having been founded in 1872 in New York. Head offices are in that city with branches in Chicago, Philadelphia, Boston and San Francisco. The firm has long been the leading advertising and publicity agency specializing in financial advertising and numbers among its accounts some of the largest investment houses, insurance companies and brokerage firms.

LEGION TO NAME HONORARY LIFE MEMBER EACH YEAR

Under the terms of a resolution offered by R. O. Deming, Jr., Grand Marshal of the Mortgage Bankers Legion, the MBA board has granted the Legion the power to name each year one of its members for honorary life membership in the Association. The resolution provides that the member named must have completed a term on the board in 1924 or earlier. Mr. Deming explained that this would mean honoring the older members of MBA, many of whom were pioneers in the early development of the organization. At the present time, MBA has only two honorary life members, O. M. Corwin, Minneapolis, and Edwin D. Chamberlain, San Antonio.

WILL DEVOTE MORE TIME TO LIFE COMPANIES MEETINGS

It has become traditional that at MBA annual meetings many life insurance companies avail themselves of the opportunity to hold meetings for their correspondents. In the past these have usually taken the form of special breakfasts and, in a few instances, luncheons or receptions on the Saturday after the close of the meeting. These post-convention arrangements have usually been due to the fact that almost all of the three days were taken by the general sessions, group luncheons, etc.

This year we are leaving the noon luncheon periods almost entirely free so that life companies can arrange luncheons if they wish. The purpose of this move is to give them more time —and a more convenient time—for these meetings.

Life insurance companies are invited to make whatever arrangements they wish with the Hotel and advise us of their plans so we in turn can advise them if there are any conflicting meetings which might possibly affect their arrangements.

MBA APPRAISAL COMMITTEE TO CONTINUE ITS STUDIES

The MBA appraisal committee will continue its studies looking to more extensive appraisal activities within the Association and will make a further report to the board and executive committee at an early meeting, according to the report of its chairman, E. D. Schumacher, Memphis. The committee also went on record as advocating that greater attention be given to appraisal subjects at future Clinics and conventions.

HEARD AND SEEN: **Paul M. Minter,** assistant cashier, National City Bank of Cleveland, has been elected president of Cleveland's American Institute of Banking . . . he's head of the Bank's mortgage loan department and secretary of the Cleveland MBA. . . . WELCOMED AT THE HEADQUARTERS OFFICE RECENTLY (AS YOU WILL BE): **W. Walter Williams,** Seattle; **H. Loy Anderson** and **W. L. King,** Washington, D. C.; **Allyn R. Cline,** Houston; **R. F. Brooks,** New York.

The Future of FHA

By L. DOUGLAS MEREDITH

FHA stands at the cross-roads, with a commendable past and an uncertain future. Many proposals for modifying FHA have already been made.

Let's look at the record. FHA, as originally established, has been recognized as one of the most successful, if not the most successful, of all governmental agencies. It has functioned harmoniously with business, and has made distinct social contributions. Experience justifies its continuation after the war with few, if any, changes.

Many observers agree that authorization for Title VI should expire June 30, 1945, unless continuation of war makes extension beyond that date desirable. Slight modification of the statute to permit insurance of Title VI loans to new borrowers probably should be made, but beyond that few, if any, changes, seem necessary.

Title II should be allowed to function as before the war. The funds available from various financial institutions for investment in FHA's should be more than ample to finance home-building in the postwar period, and at a rate of interest fair to borrowers and lenders alike.

The air currently is full of all kinds of proposals designed to aid housing after the war. Many of the plans to aid postwar housing emanate from builders and social reformers who seem to see only large builders' profits, possibilities of pump-priming to avoid a postwar depression, or alleged social gains, without displaying a full understanding of the problems involved. Some call for very long-term loans, low rates of interest, and still smaller down payments. Yet every thoughtful person knows that the term of any loan should be less than the reasonable life of the security. Likewise, a low interest rate, stipulated by statute at say 1½ or 2 per cent, will not necessarily make funds available; in fact, it may have just the opposite effect of driving investors to more lucrative commitments.

Some advocate further extension of governmental activity into the sphere of housing, sometimes referred to as "low-cost" housing. Real low-cost housing, that is, housing produced by builders at lower cost to the consumer, has not yet been achieved, but presents a challenge to every builder and equipment manufacturer. This so-called "low-cost" housing is only subsidized housing or relief housing. So far it is available only to persons with incomes of less than certain stipulated amounts. A person falling in this income category may obtain housing, including utilities, at a certain price per month, while similar accommodations would cost persons earning, say a few dollars more per year, $8 or $10 more per month away from the particular housing project. Will persons with income in excess of the privileged maximum remain on the sidelines, while those with lower incomes enjoy subsidized homes, or will they, too, ask for subsidized housing? So long as subsidized housing can be enjoyed, is there any advantage for the individual to try to improve his income position? Are we prepared to subsidize housing for half or two-thirds of the people of this country? And, why emphasize housing? Shelter is only one factor in the standard of living, and persons deficient in housing usually are deficient in food, clothing and furniture. Shall these, too, be subsidized?

It is true that some builders see in subsidized housing the opportunity to make large profits on construction projects, and without doubt advocate so-called public housing in the hope that they will be successful bidders on some of the contracts. But, if government is to furnish the funds and perform nearly all other functions, why should not government construct the projects, eliminating the builder, just as well as the investor may be eliminated if the government is to finance an extensive program of public housing?

The future of home construction and home financing becomes obscured by public housing proposals when an otherwise bright future appears ahead in the postwar period. If we are to witness further experimentation by government in housing after the war, let it be recognized as such and let us not becloud demonstrated sound home financing by combining all federal housing organizations in one agency. Because of the emergency nature of the work to be done at the time, we shall assume adequate justification for bringing all housing organizations to-

(Continued Page 8, Column 1)

L. D. MEREDITH

Mr. Meredith likes to stand up and be counted as a staunch supporter of FHA. He is vice-president and chairman of the finance committee of the National Life Insurance Company of Montpelier. This article is a part of the remarks he made at the recent annual convention of the Texas MBA. His Company began buying FHA's in 1935 when, as he says, "few financial institutions even deigned to look at FHA loans, let alone buy them." Since then it has bought about $158,000,000 of FHA's and now owns about $115,000,000 of these loans. It has purchased about $44,000,000 of Title VI's. During this nine-year period when it has received $17,858,000 of interest net, the Company lost $110,210 including interest from the dates of default to the dates on which foreclosure proceedings were instituted, and also foreclosure costs. This loss—assuming no redemption value of the certificates of claim — represents .6 of one per cent of income received and .07 of one per cent of loans purchased.

CURRENT STATISTICS

This is a new department devoted to just what its title indicates—current statistics. We may disagree among ourselves about many phases of the mortgage business but we must admit that it operates on fewer proven facts than almost any other big industry. Norman Nelson in the last issue of *Local Chapter News* quoted a lender as saying it operates mostly on rumor; and not long ago MBA Vice President L. E. Mahan said the corner groceryman has more statistics on which to base the operation of *his* business than we have.

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Note that we said *big industry*. Mortgage banking *is* a big industry, one of the biggest in the world, but few MBA members appreciate that fact. On this page is a table showing that mortgages outstanding on December 31, 1943, totaled more than 34¼ billion dollars. These data were compiled by Vice President Mahan from sources indicated and illustrate the type of information we intend to publish in this department. Arrangements are also being made with pictorial statisticians to prepare charts and graphs showing certain pertinent data.

In addition, we also intend to publish data from other sources which we believe the average MBA member does not see. As a starter, let's look at some recent information which seems to have real meaning for us in the mortgage business:

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The net rate earned on invested funds by all United States life companies last year was 3.29 percent, compared with 3.40 percent in 1942 and 3.70 percent five years ago. This was a new low in the trend which has continued with slight halts for the last 20 years.

During the past year life company holdings of government securities increased from 27 percent of total assets to 34 percent of assets as the companies put most of their money into war bonds. Government securities as a class, including state, county, municipal and Canadian bonds, increased from 35 percent of assets to 41 percent. At the same time holdings of railroad, public utility and industrial securities decreased from 29 percent of assets to 27 percent; real estate mortgage holdings decreased from 18 percent to 17 percent; real estate from 5 percent to 4 percent, and policy loans from 8 percent to 6 percent.

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With the sale last year of more than $150,000,000 of urban residential properties, taken over during the depression, life companies are nearing conclusion of the liquidation of $500,000,000 of urban housing which they were forced to take over since 1929. In addition the companies hold about $1,000,000,000 in city business properties. These properties which the insurance companies have returned to individual ownership represent housing for 1,000,000 persons. About half of the properties resold were private houses and the other half apartment buildings.

Total Mortgage Debt

(As of December 31, 1943)

Here, in a general way, is a reflection of the size of the mortgage business today. Other compilations you have seen usually give the total of the city and farm debt and let it go at that. Here Mr. Mahan has broken down the holdings into what the federal agencies and private interests own. It is worth noting that while the federal agencies have made great inroads into some fields of our business, especially farm lending, private interests still own roughly ten times as many mortgages.

Urban Mortgages of Federal Agencies	
Home Owners' Loan Corporation	$ 1,338,000,000
RFC Mortgage Company	101,000,000
Federal National Mortgage Association	65,000,000
Farm Mortgages of Federal Agencies	
Federal Land Banks	1,358,000,000
Federal Farm Mortgage Corporation	403,000,000
Farm Security Administration	171,500,000
TOTAL FOR FEDERAL AGENCIES	**$ 3,436,500,000**
Urban and Farm Mortgages of Private Agencies and Others	
Life Insurance Companies	$ 6,670,000,000*
Building and Loan Associations	4,489,000,000**
Mutual Savings Banks	4,435,000,000***
Commercial Banks	4,647,000,000
Fraternal Societies and Associations	195,200,000†
Others	10,500,000,000‡
TOTAL FOR PRIVATE HOLDINGS	**$ 30,936,200,000**
TOTAL URBAN AND FARM DEBT	**$ 34,372,700,000**

* Source: Institute of Life Insurance.
** Federal Home Loan Bank Review.
*** Source: Association of Mutual Savings Banks.
† Annual Statistics—*Fraternal Monitor*.
‡ Rough estimate based on previous studies and opinions of various authorities competent to make such estimates.

Unless otherwise indicated, above data were taken from annual reports of various agencies and groups. All of this information, while taken from sources which we believe reliable, cannot be guaranteed as to absolute accuracy.

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JULY, 1944

Guide to the Way Members Are Thinking

SEVERAL months ago the MBA national office distributed a questionnaire among members asking their opinions on 40 subjects which have a direct or indirect interest for lenders. About 400 replies were received which we thought an excellent response. Results of the voting on several of the questions have already been reported in these pages and made public through the press. For example, we have told you that over 80 per cent of MBA members think that FHA and the Federal Home Loan Bank System ought to be separated from NHA, that building codes in many cities of the country act to force construction costs higher, that rents seem to have been frozen an average of 13.8 per cent too low, but that OPA has, however, been fairly successful in the actual *administration* of rent control.

We also made known the fact that most of our members have looked with a critical eye on the statements of many federal officials who loudly proclaim their faith in private enterprise in the housing field. They made it plain that they think Washington will want—and aggressively try to get—a much greater volume of public housing than we have yet seen. We also told you that most members favor postwar refund of war damage premiums after all expenses. About the same objective has been attained with the suspension of further payments this year.

There were a great many other questions in that survey the results of which we haven't reported. For instance, we asked you what you thought of the Urban Land Institute's original urban rehabilitation plan embodied in the Wagner bill. Fifty-eight per cent of our members in more than a hundred cities in 40 states turned thumbs down on this idea while the other 42 per cent favor it in varying degrees.

We also discovered that based on our study, taxes is the chief deterrent to urban rehabilitation, high cost of land is second, followed by the difficulty of attracting private capital third. Somehow that seems out of line to us, but that is the way the replies added up.

Would you like a privately-organized, privately-financed and privately-operated FHA we inquired. When we added up the answers, it was almost evenly divided—137 yes and 135 no. Incidentally, if you are an approved mortgagee, you should read Earle Draper's speech at the New York Clinic to see what he had to say on this subject. We'll send a copy on request.

But will FHA get a private competitor? No, said 172 MBA members, while 83 thought so. Will FHA be permanent? Yes, said 232 members. No, said 28. That seems pretty conclusive as far as this matter goes.

And here's a puzzler: We asked MBA members whether they would like to see a law passed in their state, similar to the New York law, which would permit insurance companies to invest up to 10 per cent of assets in unencumbered real estate. Our members voted exactly 116-to-116 on this one. It seems that on a question like this we ought to have gotten a more conclusive answer one way or the other.

Is there any effort under way in your state to improve laws in favor of the mortgagee? That was another question and one in which President Woodruff was particularly interested. Fifty-two members said yes and 212 said no. Unfortunately we do not have the tabulation as to states on this question which is the real answer.

Should HOLC be liquidated? Yes, said 237 members and no said 32. How about a new type of mortgage where the borrower pays off in relation to the fluctuation of his income? A West Coast member suggested it and so have others who are suggesting new loan plans. Sixty-three members said there might be some merit in the idea while 204 said no.

You members voted overwhelmingly in the affirmative on the question that the federal government ought to be sharing a great portion of the tax burden on its housing projects and more than 47 per cent said that their communities have already felt a tax pinch because so much federal property has gone off the tax rolls.

Another significant result: Will the war housing erected in your community be readily salable in the postwar market? Ninety-three said yes and 121 said no. We also learned that members are encountering surprisingly few difficulties with the Soldiers and Sailors Civil Relief Act and that 52.5 per cent of them expect a substantial increase in privately-financed rental housing after the war. Exactly two-thirds of those replying also think there is considerable merit in the occupancy tax idea as proposed by the National Council of Real Estate Taxpayers and which would supplement or replace the ad valorem system. And speaking of taxes, we inquired about a sales tax. Almost without exception MBA members favor it.

Several leading life companies are laying plans for big housing projects after the war and the Institute of Life Insurance (the life companies' own spokesman) thinks that possibly as much as $100,000,000 of such units will be under construction within six months after the end of the war. It adds that "immediately following the war, life insurance reserve funds will probably be available for mortgage financing in an amount in excess of a billion dollars annually."

PAST PRESIDENT CODY'S WIFE IS TAKEN BY DEATH

With deep regret we announce the death of Mrs. Harriett Mary Cody of Winston-Salem, North Carolina, wife of Past President Hiram S. Cody.

Mrs. Cody was one of the best-known women identified with the Association and had long taken an active part in MBA affairs in which women participated.

In addition to Mr. Cody, she is survived by two sons, Lieutenant Commander Hiram S. Cody, Jr., serving overseas, and Sergeant W. C. Cody of the Army Air Corps, and one daughter, Harriett Rosemary Cody of Winston-Salem. Mrs. Cody was born in Chicago and spent her early life in Evanston, Illinois.

THE FUTURE OF FHA

(*Continued from Page 5*)

gether under the NHA for the duration. When the war is over, or approaches its end, the emergency will have passed and FHA should be restored to its independent status as an agency created for the purpose of insuring mortgage loans.

We must not forget that FHA first and last is a mortgage insuring agency. Prior to 1934, the experience with guaranteed mortgages had not brought particular satisfaction to investors supposedly protected against loss. These guarantees rarely had been issued on the basis of factual experience or scientific selection of risks. Most guarantees covered large loans with insufficient diversification of risk; FHA on the other hand supplies mortgage insurance only on selected risks on what is hoped will be a scientific basis. Its successful operation, from an insurance standpoint, depends upon the application of actuarial principles, careful risk selection, and the building of reserves to meet losses, just as all forms of insurance rely upon these principles. If FHA can be operated successfully on these principles, the institution should stand on its own foundation without being forced to rely upon government support. However, in no case does FHA have a chance to succeed along these lines if it is to be entwined with costly social reform and pump-priming efforts.

President's Letter to Members

Your Association may soon undertake the most important expansion program in its 31 years' history. This possible development is the result of an exhaustive report submitted to the board of governors by the Ways and Means Committee headed by Allyn R. Cline, Houston, and including Stanley H. Trezevant, Memphis, and S. M. Waters, Minneapolis.

This report absorbed almost as much discussion time at the June meeting as all the others and represents a great deal of time, effort and study on the part of these members. In brief, it contemplates a rather broad change in Association activities.

The central idea in the recommendations is decentralization — decentralization of our program of meetings and decentralization of certain administrative functions. Your Board of Governors has approved this program which, among other things, will result in the discontinuance of our seven regional vice presidents and the substitution of sixteen new district governors representing the sixteen geographical areas into which the country would be divided. MBA members in each of these new districts would elect their own governor as well as a secretary; and it would be their responsibility to head the Association's general activities in their own area. It is contemplated that in each district a Clinic or Conference would be held each year, if possible.

The Committee's reasoning in this respect is that the Association has now grown to such size that a decentralization program of some kind is necessary and that, through it, MBA can render much greater service to its members than before. The working organizations of other national associations have been used as a guide in the creation of this plan.

This is, however, only one of the proposals in the plan which will be submitted to you shortly for study so you will be in a position to vote on it at the annual business meeting October 20. Another proposal would reconstruct the nominating committee to consist of two past presidents, two members of the board of governors and the Grand Marshal of the Mortgage Bankers Legion. These proposed changes are submitted in advance of the meeting for your consideration.

Charles A. Mullenix, chairman of our Washington Contact Committee, has called a meeting in Washington for June 29 and 30, where members of this group and your officers will confer with various federal officials on matters of current interest to us all. Committee members Dean R. Hill, G. Calvert Bowie, T. B. O'Toole and the writer in addition to Vice President L. E. Mahan, Secretary George H. Patterson, George B. Underwood, FHA Committee Chairman, W. L. King, Legislative Committee Chairman, and H. Loy Anderson, associate general counsel, will comprise our liaison group. As this may be the last of our series of Washington meetings until Fall, it is important that members advise us immediately of any special problems which they believe we should take up with federal officials.